



Minutes

Audit Committee

Monday, 9 September 2019

Council Chambers, 1 Omrah Avenue, Caloundra

AUDIT COMMITTEE MEMBERS

Councillor T Dwyer	Division 2
Councillor C Dickson	Division 6
Mr P Dowling AM	Independent Member (Chair)
Mr L Scanlan	Independent Member

AUDIT COMMITTEE MINUTES

9 SEPTEMBER 2019

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Please Note: The resolutions as shown in italics throughout these minutes are the resolutions carried by the Audit Committee.

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1 DECLARATION OF OPENING

The Chair declared the meeting open at 9:00am.

2 RECORD OF ATTENDANCE AND LEAVE OF ABSENCE

AUDIT COMMITTEE MEMBERS

Councillor T Dwyer	Division 2 (Absent 5.2 – 8)
Councillor C Dickson	Division 6
Mr P Dowling AM	Independent Member (Chair)

BOARD OF MANAGEMENT

Chief Executive Officer
Group Executive Built Infrastructure
Group Executive Business Performance
Group Executive Customer Engagement and Planning Services
Group Executive Liveability and Natural Assets

APOLOGIES

Group Executive Economic and Community Development	
Mr L Scanlan	Independent Member
Engagement Manager	Queensland Audit Office

ATTENDEES

Engagement Leader	Queensland Audit Office
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COUNCIL OFFICERS

Manager Asset Management
Head of People & Culture
Coordinator Financial Accounting
Manager Audit and Assurance
Manager Corporate Governance

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3 RECEIPT AND CONFIRMATION OF MINUTES

4 INFORMING OF PERSONAL INTERESTS

4.1 MATERIAL PERSONAL INTEREST

Pursuant to Section 175C of the *Local Government Act 2009*, no declarations of material personal interest were made during this meeting.

4.2 CONFLICT OF INTEREST / PERCEIVED CONFLICT OF INTEREST

Pursuant to Section 175E of the *Local Government Act 2009*, no declarations of conflict of interest were made during this meeting.

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5 REPORTS

5.1 CHIEF EXECUTIVE OFFICER'S UPDATE

5.1.1 CHIEF EXECUTIVE UPDATE

File No: Audit Committee
Author: Chief Executive Officer
Office of the CEO

It is an exciting time for the Sunshine Coast, with the last 12 months full of achievements and the final quarter (April-June) has continued that momentum with many examples of how Council is working together to serve our community with excellence and position the region for the future.

As we celebrated National Reconciliation Week and Mabo Day, I am proud to report that Council completed all of our actions from the 2017-2019 Reconciliation Action Plan (RAP). Work on developing our new Stretch RAP has begun.

Council continues to be recognised for the innovative and creative ways in which we respond to challenges and focus on delivering outstanding service to our customers. This past quarter Council received four awards:

- Our Development.i web platform won two awards at the Queensland iAwards, in the categories of 'Public Sector & Government' and 'Data Insights Innovation of the Year'.
- Our 'Making Governance Innovative' initiative won the Innovation category in the Local Government Managers Australia (Qld) Award for Excellence.
- Our Customer Response Branch won the biannual Queensland Pest Animal Team Award.

Council continues to be committed to working towards our vision – Healthy. Smart. Creative. The solar farm has made an excellent contribution to an environmentally sustainable future generating 109% of Council's overall electricity consumption for the financial year.

The Maroochydore City Centre is taking shape with the completion of the Aerodrome Road Intersection Upgrade. As a key entry point into the city centre it provides a sense of arrival for business and community alike accommodating cyclists, pedestrians and the capacity for a Mass Transit System. Most recently in early August, Stage 1 of the Maroochydore City Centre was officially opened and celebrated with People's Day.

Council continues to invest in its greatest assets – our people, our environment and natural assets and our economy. On 20 June, Council adopted the \$848 million 2019/20 Council budget that sets the path for another great year ahead.

Committee Recommendation (AC19/30)

Moved: Councillor C Dickson
Seconded: P Dowling

That the Audit Committee receive and note the report titled "Chief Executive Update".

Carried unanimously.

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5.1.2 ASSET MANAGEMENT ROADMAP

File No: Audit Committee
Author: Manager Asset Management
Built Infrastructure Group

In May 2019 the Audit Committee received a report titled Asset Management Plans and Systems-Update.

The report outlined the approach to be taken to cover the outstanding Audit recommendations.

One action from this was for the draft Asset Management Roadmap to be finalised.

The purpose of this report is to provide a further update to the Audit Committee.

AUDIT COMMITTEE DISCUSSION POINTS

- Confirmed that the Roadmap incorporates all the Internal Audit recommendations associated with the 2017 Internal Audit report – Asset Management Plans and Systems
- The Asset Management process to provide improved information to inform decision making
- Environment Sustainability to be clearly addressed in the Roadmap with the approach to be discussed further with Cr T Dwyer

Committee Recommendation (AC19/31)

Moved: Councillor C Dickson
Seconded: P Dowling

That the Audit Committee:

- receive and note the report titled “Asset Management Roadmap”*
- the five overdue listed actions relating to January 2017 Internal Audit report titled “Asset Management Plans and Systems” be closed and*
- status report be provided back to the Audit Committee at the September 2020 meeting.*

Carried unanimously.

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5.1.3 UPDATE ON NEW PAYROLL SYSTEM

File No: Council meetings
Author: Head of People & Culture
Business Performance Group

In November 2018 Council signed contracts to replace our current HR systems with SuccessFactors Employee Central (EC), Dayforce (RTA) and SuccessFactors Employee Central Payroll (ECP). The project and solution is known as peopleHUB.

The project is effectively working in two streams:

- A. Core solution – HR Core, RTA (Roster, time and attendance) and Payroll
- B. Talent Management – recruitment, on and off boarding, learning, performance and career & development

This report will focus on Stream A.

The project is scheduled to go-live in late 2019 after successfully completing a rigorous testing process led and supported by external experts.

The project has just entered the Parallel Test Run phase of the implementation process. The risks associated with a payroll implementation are being diligently managed through this staged approach which is governed by the peopleHUB Steering Committee.

AUDIT COMMITTEE DISCUSSION POINTS

- Project uses a phased gated methodology with rigorous parallel testing underway
- Weekly meetings of the Steering Committee occur
- Go Live decision will be late September
- Vendors providing strong support
- Return on Investment report will be produced

Committee Recommendation (AC19/32)

Moved: Councillor C Dickson
Seconded: P Dowling

That the Audit Committee receive and note the report titled "Update on new payroll system".

Carried unanimously.

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5.2 EXTERNAL AUDIT

5.2.1 DRAFT 2018/19 FINANCIAL STATEMENTS

File No: Financial Management
Author: Coordinator Financial Accounting
Business Performance Group

Council has a statutory obligation to prepare general purpose financial statements on an annual basis, culminating in audit certification in late October, before publication in Council's Annual Report.

In line with Council's policy to provide the Audit Committee with regular updates on key issues, the following is provided:-

1. Queensland Audit Office 2019 Audit and Risk Committee Briefing Paper which provides an update on key audit matters.
2. Queensland Audit Office 2019 Interim Report (June)

This report details the outcome of the Second Interim Audit for 2018/19 conducted in June 2019 with outcomes as follows:

Item	Result
1. Internal control assessment	3 effective ratings and 2 generally effective ratings
2. Financial reporting issues	No new financial reporting issues have been raised
3. Other matters	Nil
4. Areas of audit significance	No issues to date
5. Milestones	All met or not yet due

Based on the results of the testing completed for the period 1 July 2018 to 31 May 2019, QAO's audit strategy remains unchanged, except for the two areas where they have raised significant deficiencies (generally effective ratings) in Council's control activities. Additional substantive testing was conducted to address the identified deficiencies.

The 2019 Interim Audit Report (June) will be presented to the September 2019 Ordinary Meeting of Council.

3. Payroll Process Deficiency – Update on Corrective Actions

The QAO 2019 Interim Report (June) identified a significant deficiency in Council's payroll process relating to changes to employee bank account details.

This was as a result of Council, along with other Queensland public sector entities, being targeted by scammers through the use of fraudulent emails.

As these fraud attempts are becoming more common and sophisticated, QAO recommended that:-

- (a) Council should review practices relating to any bank account changes to ensure controls are in place to prevent future incidents occurring, and
- (b) Fraud awareness training should be extended to all staff.

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4. Draft financial statements 2018/19

The general purpose financial statements for 2018/19 have been prepared for review by the Audit Committee prior to their lodgment with the Auditor-General, Queensland Audit Office (QAO).

Some prior year balances have been restated, mainly resulting from the timing of recognition of contributed assets as well as CONFIRM refinement of asset data.

5. Update on 2018/19 Non-Current Asset Revaluation and CONFIRM refinement of asset data

In addition to the annual asset revaluation, Council also undertook a major asset data refinement exercise between the financial asset register and the spatial asset register, in preparation for implementation of Council's new asset system, CONFIRM.

The impacts of the asset revaluation and asset data refinement are detailed below.

(a) 2018/19 Non-Current Asset Revaluation

Council undertook its annual non-current asset revaluation during the year in conjunction with various external valuation firms and by application of appropriate indices.

Overall, there was a net increase to Council's non-current asset base of approximately \$264 million.

(b) CONFIRM Asset Data Refinement

Council is in the process of implementing a new asset management system, CONFIRM, which aims to provide a central source of reliable information for all asset data and as such, will replace/augment the core systems within Council that currently capture asset data.

In preparation for this, Council undertook a major data refinement exercise between the financial and spatial asset registers to identify and capture increase/decreases in Council's asset base due to assets having been recorded/added/decommissioned in other registers where that information has not flowed through to the financial or spatial asset registers.

The exercise resulted in a net increase to Council's financial asset base of approximately 35,000 assets worth approximately \$400 million along with an increase in depreciation expense of approximately \$3 million.

6. Deloitte Accounting Advice – Sunshine Coast Airport Expansion Project and

7. Deloitte Journal Entries – Sunshine Coast Airport Expansion Project

Council has been engaging with the Audit Committee, QAO and Deloitte Touche Tohmatsu (Deloitte) since 2017 to establish and agree the appropriate accounting treatment for all aspects of the airport transaction.

The accounting treatment is regularly reviewed and updated if needed, for changes in circumstances, stage of the project, and new accounting standards.

As per the Audit Committee Key Milestones, Council provided QAO with updated Deloitte accounting advice (draft) in light of current developments and new accounting standards, which was tabled at the May 2019 Audit Committee. QAO provided their feedback in June which was generally in agreement with the Deloitte advice.

Since then, further developments have occurred with respect to environmental issues related to the management of per- and poly-fluoroalkyl substances (PFAS) on both the runway site as well as the wider airport site. In light of this, updated advice was sought from Deloitte.

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8. Sunshine Coast Airport Expansion Project – 2018/19 Financial Statements Update

The main impacts on Council's 2018/19 financial statements are summarised as follows:-

- (a) Current and future costs associated with Department of Environment and Science (Qld) (DES) requirements in relation to the management of per- and poly-fluoroalkyl substances (PFAS) on the airport runway site.
 - Provision Expense \$25 million
 - Contingent Liability \$20 million
- (b) Impairment expense recognizing the difference between the anticipated cost of the runway and the net realizable value.
 - Impairment Expense \$59 million

9. Explanation of major variances to prior year

This provides commentary around variances between 2018/19 Statement of Comprehensive Income and the prior year, as well as details of the items that make up "all other materials and services" in Note 6 of the financial statements.

10. Sunshine Coast Events Centre Pty Ltd – 2018/19 Queensland Audit Office Audit Report

The Sunshine Coast Events Centre Pty Ltd (The Events Centre) is a controlled entity of Council, the financial results of which are included in the Consolidated columns of Council's financial statements. As such, they are subject to external audit from QAO.

QAO advised that The Events Centre audit for 2018/19 has been completed with satisfactory findings and no significant issues were identified during the course of the audit.

11. Audit Committee Key Milestones – 2018/19 financial statements

The Audit Committee Key Milestones provides a detailed timeline and required deliverables associated with the 2018/19 financial statements.

All of Council's key audit milestones have been met or are not yet due.

AUDIT COMMITTEE DISCUSSION POINTS

- QAO report indicates that Council has met the agreed milestones and deliverables with regard to the External Audit Plan
- Noted QAO's positive response to Council's efforts in improving fraud controls associated with the payroll deficiency
- The significant transactions around the Sunshine Coast Expansion Project were discussed including the lowering the Provision Expense for per- and poly-fluoroalkyl substances (PFAS) from \$25 million to \$20 million based on current information and the receipt of payment associated with the airport lease
- Updates on the Non-Current Asset Revaluation and refinement of asset data associated with the CONFIRM Asset system implementation.

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Committee Recommendation (AC19/33)

Moved: Councillor C Dickson

Seconded: P Dowling

That the Audit Committee receive and note the report titled "Draft 2018/19 Financial Statements".

Carried unanimously.

Councillor T Dwyer was absent for the discussion and vote on this item.

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5.3 AUDIT AND ASSURANCE

5.3.1 FRAUD AND CORRUPTION RISK ASSESSMENT - PROCUREMENT
FUNCTION AND ACCOUNTS PAYABLE (KPMG REVIEW)

File No: Audit Committee
Author: Manager Audit and Assurance
Office of the CEO

The Australian Standard on *Fraud and Corruption Control AS 8001:2008* recommends organisations review their fraud and corruption risks at least every two years. As the Procurement and Accounts Payable Fraud and Corruption Risk Assessment was last presented at the January 2017 Audit Committee, KPMG were engaged to facilitate a refreshed Fraud Risk Assessment associated with the procurement and the accounts payable processes.

The assessed residual risk ratings of the 26 detailed risks were determined to be 1 High, 8 Medium and 17 Low. The risk profile reflect implementation of significantly improved processes, changing external environments with increased social engineering fraud and opportunities to further improve the effectiveness of existing controls.

AUDIT COMMITTEE DISCUSSION POINTS

- Improved risk profile noted
- Objective of managing risks within accepted tolerance levels as risks cannot be eliminated
- An impact assessment to Council's existing Community Grant Policy Framework to be undertaken when the Crime and Corruption Commission release their final report on Community Grant Funding.

Committee Recommendation (AC19/34)

Moved: Councillor C Dickson
Seconded: P Dowling

That the Audit Committee receive and note the report titled "Fraud and Corruption Risk Assessment - Procurement Function and Accounts Payable (KPMG Review)".

Carried unanimously.

Councillor T Dwyer was absent for the discussion and vote on this item.

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5.3.2 AUDIT AND ASSURANCE STATUS REPORT

File No: Council Meetings
Author: Manager Audit and Assurance
Office of the CEO

As at September 2019, the 2018/19 Internal Audit Work Plan has been completed and the 2019/20 Internal Audit Work Plan has commenced as scheduled. There are 34 Listed Actions with 8 Overdue Listed Actions (passed the expected completion date).

AUDIT COMMITTEE DISCUSSION POINTS

- As a result of the Asset Management Roadmap, 5 overdue listed actions will be closed

Committee Recommendation (AC19/35)

Moved: Councillor C Dickson
Seconded: P Dowling

That the Audit Committee receive and note the report titled "Audit and Assurance Status Report".

Carried unanimously.

Councillor T Dwyer was absent for the discussion and vote on this item.

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5.4 GOVERNANCE REPORTING

5.4.1 WORK HEALTH AND SAFETY REPORT

File No: Council Meetings
Author: Head of People & Culture
Business Performance Group

Council underwent an audit by the Office of Industrial Relations for the purpose of workers' compensation self-insurance. The audit delivered a rating of 82.29%.

Green Consulting Group has been engaged to review the Health and Safety function to ensure that the Work, Health and Safety service in line with Council's expectations and industry best practice.

Due to the media and public concerns of glyphosate, a Herbicide working group made recommendations to change the way Council manages glyphosate and other chemicals. The recommendations were considered during an extraordinary Health and Safety Steering Committee meeting.

Council has commenced a respirable crystalline silica management program with an analysis of the work areas and employees with the potential for exposure to respirable crystalline silica. An Occupational Hygienist has been engaged to provide recommendations stemming from an assessment of Council's respirable crystalline silica related activities, materials utilised and the development of an exposure monitoring program is underway.

In line with Council's Hearing Conservation Program, preparation has commenced for audiometric testing by Attune Workplace Hearing of those employees exposed to excessive noise.

During the reporting period April – June 2019 there were three (3) incidents which required Council to notify Workplace Health and Safety Queensland (Work, Health and SafetyQ). No injuries were sustained as a result of these injuries. This displays a reporting culture that identifies near misses and enables the organisation to continually improve through the development of appropriate preventative and corrective actions.

AUDIT COMMITTEE DISCUSSION POINTS

- Risk management associated with silica hazards being addressed
- Causes associated with electrical incidents being assessed and addressed including via tool box meetings

Committee Recommendation (AC19/36)

Moved: Councillor C Dickson
Seconded: P Dowling

That the Audit Committee receive and note the report titled "Work Health and Safety Report".

Carried unanimously.

Councillor T Dwyer was absent for the discussion and vote on this item.

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5.4.2 GOVERNANCE AND RISK REPORT

File No: Council Meetings
Author: Manager Corporate Governance
Office of the CEO

The Governance in Action program continues to be active with specific targeted training and awareness sessions on conflicts of interest for high risk areas. The program continues to raise awareness in governance areas to ensure that Council continues to achieve the Corporate Plan goal of being 'an outstanding organisation' as well as ensuring community confidence in Council activities.

Council continues to grow and mature in its approach to risk management. Reviews of strategic (enterprise level) and operational (branch level) risks have been recently undertaken with a more rigorous focus on documented evidence of risk mitigation treatments and plans. Strategic and Operational Risks continuing to be monitored and managed. This report provides information on the current 264 risks rated from 'low to extreme'.

As part of our Integrity Management Program, complaint matters elevated to the Corporate Governance Branch continue to be actioned within set time frames. Analysis is done to assess the cause of each complaint and what management or system improvements can be implemented to ensure continuous improvement growth and the prevention of similar issues or concerns in the future.

In recognition of the commitment by the Corporate Governance Branch to building a culture of compliance across the organisation, Council was awarded the Queensland Local Government Managers Australia (LGMA) Award for Excellence in Innovation 2019 for its Making Governance Innovative initiative.

AUDIT COMMITTEE DISCUSSION POINTS

- Reforms associated with the Crime and Corruption Commission's Belcarra report being addressed
- Human Rights Act and Governance in Action program
- Fraud Awareness Training has been developed in conjunction with KPMG which is to be initially provided to operations with higher risk exposure to fraud

Committee Recommendation (AC19/37)

Moved: Councillor C Dickson
Seconded: P Dowling

That the Audit Committee receive and note the report titled "Governance and Risk Report".

Carried unanimously.

Councillor T Dwyer was absent for the discussion and vote on this item.

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6 GENERAL BUSINESS

Nil

7 NEXT MEETING

The next Audit Committee will be held on 8 October 2019 in the Council Chambers,
1 Omrah Avenue, Caloundra.

8 MEETING CLOSURE

The meeting closed at 10:59am.

Confirmed 17 October 2019.

CHAIR
